

# International Workshop on Reform of Forest Fiscal Systems

October 19-21, 2003

World Bank, Washington DC

## Concept Note

### **I. Summary**

A process to engage key policy makers in selected countries to review experience of fiscal reforms for forests and share lessons on emerging best practice and strategies to move from current policies to best practice. The first phase would focus on tropical natural forests in selected countries from Africa, Asia and Latin America, including Brazil, Cambodia, Cameroon, Ghana, Honduras, Indonesia and Nicaragua.

The policy makers would include officials from the Ministry of Forestry, but also the Ministry of Finance, and other key stakeholders from civil society and the private sector. The first phase of the process would include the preparation of short presentations (based on secondary material) in country by policy makers themselves. The policy makers would then have the opportunity to share this experience with other countries through an international workshop co-hosted by DFID and the World Bank in Washington DC on 19-21 October 2003, and other networking opportunities. It is anticipated to publish the country papers and workshop proceedings.

### **II. Background: forests' contribution to poverty reduction and revenue generation**

Forests represent a major natural and frequently undervalued capital resource in many countries of the world. Some loss of forest is inevitable, and even desirable, as forests are converted to other land uses to meet the needs and requirements of growing populations and economies. When this is managed in a way which ensures that basic sustainability requirements are met, this can be seen as the transformation of one form of capital into another with a potentially positive impact on poverty. However, the evidence from many parts of the world is of forest resources being lost, or degraded, at an unsustainable rate with little return in terms of growth or poverty eradication.

The importance of mobilising forest revenues and maximising their contribution to development processes is increasingly recognised. At the same time, appreciation of the reasons behind the relative failure of the forest sector to contribute more effectively to development processes is focussing more directly on issues of governance and policies – including key fiscal policies - which critically determine how (and in whose interests) forests are managed and utilised.

The importance of well-designed and effectively implemented forest fiscal systems – specifically concession and revenue systems - has been long appreciated. Issues of resource tenure and security, royalties (in terms of their value and method of collection) and benefit distribution, set the fundamental parameters of the private sector's utilisation of an often publicly owned asset. Experience has shown that a well designed and effectively implemented concession and revenue system – particularly one emphasising incentives to sustainable forest management and investment in value added processing industries - can be a far more effective instrument in maximising the forest sector's contribution to growth and development than a narrow regulatory based approach.

An active debate on concession policies and forest fiscal systems has taken place for a number of years. Several countries, encompassing a diverse range of forest types and associated industries, are implementing or considering new approaches to allocating rights to utilise forests. While their situations are different, in all cases the objective is to identify the practical ways to ensure that forests can be utilised sustainably and make a more positive contribution to national poverty reduction objectives (as defined in PRSPs or similar statement of policy) through stimulating growth and providing regular and enhanced revenue flows to governments.

### III. Activities

Given these ongoing reforms, opportunities exist to review progress in a range of countries, to document and to exchange ideas on experience and emerging best practice. Participants would include:

- Ministry of Forestry officials – who clearly are key stakeholders
- Ministry of Finance officials – who often have much to gain from the revenue potential of the forestry sector
- Other key stakeholders from civil society and the private sector – who have interests in any reforms to forestry fiscal systems
- Researchers who have engaged with forestry sector fiscal reforms.

The primary focus would be allowing lesson learning between countries by developing country policy makers – in a setting that will stimulate open and frank discussion.

Resource teams (from Ministry of Finance, Ministry of Forestry and a representative of civil society/private sector/academics) from each participating country would present their paper at the aforementioned October workshop - with other forest rich countries to share experiences. It is anticipated that Ministries of Finance and national forest ministries will be the lead counterparts for this work, supported by researchers. The process will also need to engage with other appropriate government ministries, the private sector and affected forest groups (& funds for a consultative workshop with key stakeholders would be available). The country resource teams would prepare in country a *short presentation supported by a background paper based on secondary material* (for detailed terms-of-reference for the country teams, please see section V below). It is anticipated to publish the workshop papers and proceedings.

### IV. Logistics

The workshop will be co-hosted by DFID and the World Bank and will be fully facilitated by an eminent subject-matter specialist. It will be held in Washington DC on 19-21 October 2003.

The World Bank will provide funds for travel and per diems at the workshop. **Participants will be expected to arrive by the morning of Sunday 19<sup>th</sup> October.** A dinner will be hosted by DFID and the World Bank to open the workshop that evening. The technical sessions will be held on 20 and 21 October.

Participants will be sent a formal invite by the middle of July to enable them to apply for visas and the American Express office in country will provide air tickets. Country teams will need to provide their country papers and a brief presentation (of about 10 power point slides) at the latest by 12 September to the workshop organizers. DFID/WB in-country staff are being requested to provide inputs into the preparation of the paper if requested by the country teams.

### V. Terms-of reference for country teams

Policy makers (officials from Ministry of Finance, Ministry of Forestry and a representative of civil society/private sector/academics) would prepare in country a *short presentation supported by a background paper based on secondary material*. (The paper can be prepared in English, French or Spanish). Photos (brought to the workshop) will be welcome for use in the final publication. The paper (and the presentation of about 10 power point slides) will provide a short (maximum 15 pages) overview of the:

- Growth, equity and poverty reduction, and sustainability objectives as specified in the country's forest policy documents/s and national forest plans
- The perceived links between fiscal policy and its instruments and forest policy objectives as identified above
- Experience with forestry fiscal reforms (positive and negative)
- Challenges facing implementation and how these may have been tackled (including need for more information)
- Areas where further forestry fiscal reform is needed

Existing studies and data on forestry fiscal reforms, could be reviewed to identify – to the extent possible:

- General overview of key fiscal instruments (stumpage fees, import taxes etc) and changes over time, including recent reforms
- Total revenues raised (past and current from different instruments)
- How revenue is used (and share for forestry enforcement)
- Who raises the revenues (e.g., forestry agency, industry agency, Customs Dept.)
- Implementing different instruments and reforms - administrative challenges and opportunities
- Implementing different instruments and reforms - political challenges and opportunities (e.g. governance issues)
- Challenges for monitoring and enforcement (e.g. data requirements and personnel)
- Effects of different fiscal instrument on key groups (eg forest concessionaries, processing industry, those living in forest)
- Any suggested further fiscal reforms, and the implementation challenges these would face
- Any suggested areas where further study is needed

#### **VI. Follow- up activities**

It is expected that this workshop will initiate the development of a South-South network of practitioners and will identify country specific action plans for follow-up.

#### **VII. Time Line**

Invitation letters to country participants	July 15
Visas/Travel arrangements	Aug/Sept.
Preparation of Country paper and presentation	July/Aug./Sept.
Submission of draft paper	Sept. 12
Participants arrive in Washington DC	Oct. 19
Workshop	Oct. 19-21
Revision and resubmission of country paper	Nov. 9
Final compilation of workshop proceedings	Dec. 15
Mailing proceedings to participants, etc.	Dec./Jan.
Identification of country focused follow-up activities	Feb./March 04
Possible initiation of follow-up	April onwards